

Geokinetics Inc. is engaged in the acquisition of oil shale lands and in research and development of processes to extract shale oil from oil shale deposits. The Company holds leases on 30,000 acres of oil shale lands in the State of Utah.

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The annual meeting of the stockholders of Geokinetics Inc. will be held on Wednesday, February 2, 1983, at 2:30 p.m. Mountain Standard Time in the Jade Room of the Hotel Utah, Salt Lake City, Utah.

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K will be furnished without charge to interested stockholders upon written request to the Secretary, Geokinetics Inc., 391 Chipeta Way, D2, Salt Lake City, Utah 84108.

Corporation
Officers &
Directors

Henry H. Patton Chairman of the Board, Treasurer and Director.
Mitchell A. Lekas President, Chief Executive Officer and Director.
Warren K. McOmber Senior Vice President.
James M. Lekas Vice President.
Robert D. MacKenzie Secretary and Director, Counsel to Graham & James, Attorneys.
James L. D. Roser Director, Private Investor.
John D. Downen Director, Private Consultant.

PROFESSIONAL SERVICES

TRANSFER AGENT AND REGISTRAR
RepublicBank Dallas, N.A.
Corporate Trust Department
P.O. Box 2964
Dallas, Texas 75221

INDEPENDENT PUBLIC ACCOUNTANTS

Deloitte Haskins & Sells
50 South Main Street
Salt Lake City, Utah 84144

GENERAL COUNSEL
Jones, Waldo, Holbrook & McDonough
(A Professional Corporation)
800 Walker Building
Salt Lake City, Utah 84111

Locke, Purnell, Boren, Laney and Neely
(A Professional Corporation)
3600 RepublicBank Tower
Dallas, Texas 75201

CORPORATE OFFICES

Geokinetics Inc.
391 Chipeta Way, D-2
Salt Lake City, Utah 84108
(801) 583-0511

Comparative Statistics 1978 to 1982

Geokinetics Inc. (a development stage company)

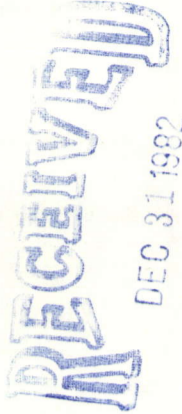
For the years ended September 30, 1978, 1979, 1980, 1981, 1982 and
for the period from March 7, 1969 (Inception) to September 30, 1982

	1978	1979	1980	1981	1982	From Inception
Costs and expenses	\$1,617,307	\$1,992,395	\$2,232,613	\$4,127,342	\$4,261,511	\$16,519,443
Cost reimbursements and other income ¹	1,674,336	1,938,448	2,212,178	4,555,822	4,065,648	16,219,006
Income (Loss) before extraordinary credit	14,037	(54,132)	(29,596)	251,288	(43,272)	(383,095)
Net income (loss)	51,769	(54,132)	(23,735)	251,288	(43,272)	(335,695)
Earnings (Loss) per share before extraordinary credits ²	.01	(.02)	(.01)	.09	(.02)	
Total assets	627,266	860,826	3,672,999	4,216,223	4,409,252	
Stockholders' equity ³	110,156	539,651	3,378,863	3,630,151	3,568,879	
Working capital	90,317	10,545	2,851,152	3,091,267	2,805,573	

(1) Principally from the U.S. Department of Energy.

(2) After giving retroactive effect to 100-for-1 stock split during April 1980. There have been no cash dividends since inception.

(3) There were no long term obligations during the indicated periods.



DIVISION OF
OIL, GAS & MINING

To Our Stockholders

An event of the utmost significance for Geokinetics took place after the end of the fiscal year. On November 9, 1982, Geokinetics was awarded a \$6,287,000 contract by the Department of Defense (DOD) to produce military jet fuel from shale oil. Air Force F-15 and F-16 fighters based at Hill Air Force Base in Utah will operate on the shale derived fuel in an extensive series of flight tests.

These tests will represent the first major use of a synthetic fuel by the Air Force. The Geokinetics-DOD contract also represents the first time that shale derived jet fuel will be produced on a continuous basis. Geokinetics will supply approximately half of the 80,000 barrels of crude shale oil required from its in situ shale oil production facility near Vernal, Utah. The balance will come from the Government's shale oil stockpile at Anvil Points, Colorado.

Geokinetics will refine the shale oil through a subcontract to Caribou Four Corners, Inc. at Caribou's Woods Cross refinery near Salt Lake City. Modifications will be made to the refinery, including a hydrotreater and other equipment necessary for processing shale oil. Geokinetics and Caribou have entered into a long term agreement to develop and test improved methods of refining crude shale oil into commercial products.

The DOD has a long range program to evaluate products derived from shale oil as military fuels, primarily as aircraft jet fuel. The program includes ground testing of jet engines, test flights of military aircraft and eventually converting two Air Force bases, Hill Air Force Base, Ogden, Utah, and Mountain Home Air Force Base, Mountain Home, Idaho, to shale oil derived fuels.

In fiscal 1982, Geokinetics continued its LOFRECO research and development program under a Cooperative Agreement with the Department of Energy (DOE) and concluded the feasibility study of the commercial development of our Agency Draw property under a DOE grant. Total expenditures for these two projects were \$4,040,070, of which the DOE provided \$3,477,370 and the Company provided \$562,700. Total Company expenditures were \$4,261,511 compared to \$4,127,342 in 1981.

The Company incurred a loss of \$43,272 for the year compared with a profit of \$251,288 in 1981. There were three major causes for the loss:

1. an increase in our share of the cost of the Cooperative Agreement with the DOE.
2. reduced interest income.
3. a decision not to sell any shale oil in anticipation of the DOD contract.

Our financial condition continued strong with current assets of \$3,628,000 against current liabilities of \$822,000. The Company has no long term debt.

The funds for our 1982 LOFRECO R&D contract with the DOE are expected to extend through February of 1983. The proposed 1983 House appropriations bill for Interior and Related Affairs contains \$316,000,000 for fossil energy research, and we have urged Congress to appropriate sufficient funds to complete our R&D program in 1983.

Research and Development work continued at our test site, Kamp Kerogen, in Uintah County. Two one acre retorts (# 25 and # 26) were blasted and burned. Both retorts performed well, yielding valuable operational data in addition to producing targeted quantities of shale oil. Retort # 25 produced a total of 21,000 barrels of oil. As of November 4, Retort # 26 had produced 12,500 barrels of oil versus 10,800 barrels produced from Retort # 25 during the same period.

As a result of our favorable experience in scaling up the size of the retorts, it was decided to increase the size of a prototype commercial module retort from one acre to two acres. Retorts # 27 and # 28, each 300 feet by 330 feet, were blasted successfully on February 25, 1982, and August 18, 1982, respectively. It is our present intention to base a commercial operation on this size retort.

Much time, effort and attention were devoted during the year to the environmental studies which are an essential part of any natural resource project today. Geokinetics carries out an ongoing environmental research program under our DOE contract. In addition, Geokinetics measures and controls retort emissions as an integral part of the day to day operation of Kamp Kerogen.

The Company plans to submit an application to the U.S. Synthetic Fuels Corporation for loan and price guarantees for a commercial shale oil project. This project would serve as the technical and financial module for operations elsewhere on Geokinetics' leases, and for joint operations with other holders of oil shale leases. Our Company leases have over 273 million barrels of shale oil in place amenable to our LOFRECO process. In addition, a DOE study estimates a total resource of 4.9 billion barrels of similar type oil shale deposits at depths less than 200 feet in Utah's Uintah Basin alone.

Under today's conditions of a world oil surplus, the inevitable consequence is a reduced interest in developing a synthuels industry, and even a questioning of the need for such an industry. However, the reasons

Opinion of Independent Certified Public Accountants

To the Board of Directors and Stockholders of Geokinetics Inc.:

We have examined the statements of financial position of Geokinetics Inc. (a development stage company) as of September 30, 1981 and 1982, the related statements of operations and changes in financial position for each of the three years in the period ended September 30, 1982, and the statement of stockholders' equity for the three years ended September 30, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Geokinetics Inc. at September 30, 1981 and 1982, the results of its operations and the changes in its financial position for each of the three years in the period ended September 30, 1982, and its stockholders' equity for the three years ended September 30, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Salt Lake City, Utah
November 19, 1982

Stock Market Data

The Company completed a public offering of 450,000 shares of common stock on April 30, 1980. Prior to this stock issuance there was no active market for the Company's common stock. The Company's stock is traded in the Over-the-Counter market under the NASDAQ trading symbol GEOK. A quarterly summary of the range of high and low bid quotations, as reported by the National Association of Security Dealers, is presented below.

	High	Low
Fiscal 1981		
1st quarter	19½	8½
2nd quarter	18½	9
3rd quarter	12½	7½
4th quarter	8¾	5¾
Fiscal 1982		
1st quarter	7¾	5¾
2nd quarter	7	2¾
3rd quarter	4½	3½
4th quarter	4	3

As of November 30, 1982, there were 463 stockholders of record of the Company's common stock. The Company has paid no cash dividends on its common stock since its inception.

assets (principally oil shale leases) at the time of the partner's withdrawal. The Company's basis in such assets is the cost of such assets to the joint venture.

At a special meeting during 1979, the stockholders granted common stock options, exercisable over a maximum of five years, for 199,800 shares to certain officers and a former employee. In January 1980, the exercise price of the options was increased to an amount equal to the public offering price of \$7.50 and all of the options became exercisable after the public offering of the Company's common stock during April 1980.

During February 1981, the stockholders approved an employee stock option plan authorizing the issuance of up to 150,000 shares exercisable over a maximum of ten years from the date of grant. During June 1981, the Company granted options under the plan to an officer for 65,000 shares. During fiscal year 1982, 28,887 options were cancelled leaving 36,113 exercisable over ten years at a price of \$9.00 per share.

During January 1982, the stockholders approved an incentive stock option plan for employees, authorizing the issuance of 150,000 shares exercisable over a maximum of 10 years from the date of grant. This plan is intended to comply with the incentive stock option provisions of the Economic Recovery Tax Act of 1981, and Section 422A of the Internal Revenue Code of 1954, as amended. During fiscal year 1982, 51,860 incentive stock options, net of cancellations, were granted at prices ranging from \$6.25 to \$7.25 a share.

Pursuant to all plans 212,027 shares were available for granting at September 30, 1982, at not less than the fair market value at the date of grant. As of September 30, 1982, the 287,773 optioned shares had an aggregate quoted market value of \$1,079,148 (\$3.75 per share), and are exercisable at an aggregate option price of \$2,174,507. There has been no exercise of any option under any of the Company's plans.

In connection with the Company's public offering of common stock during April 1980, a common stock purchase warrant was sold to the principal underwriter for \$230. The warrant, which became exercisable April 30, 1981, covers an aggregate 23,000 shares of common stock and is exercisable at a price of \$9 per share through April 1985.

7. Supplementary Operating Information

The following costs and expenses have been charged to operations for each of the three years ended September 30, 1982.

	1980	1981	1982
Maintenance and repairs	\$ 6,674	\$ 5,768	\$10,104
Taxes (other than payroll and income taxes)	10,644	8,495	13,356
Royalties	59,152	61,118	60,770

8. Subsequent Event

On November 9, 1982, the Company was awarded a \$6,287,000 cost plus fixed fee contract by the Department of Defense to produce military test fuels from crude shale oil. The contract requires the Company to provide approximately 34,000 barrels of shale oil which, in addition to 48,000 barrels of government supplied shale oil, will be refined into military test fuels.

The Company has subcontracted the refining of the shale oil to Caribou Four Corners, Inc. It is anticipated that modifications to the Caribou refinery at Woods Cross, Utah, plus the operating costs of refining the shale oil will approximate \$4,400,000

for developing a domestic synfuels industry remain unchanged:

1. to reduce this country's reliance on imported oil (today over 30% of consumption).
2. to redress our negative balance of payments (imported oil alone costs over \$50 billion a year).
3. to provide a substitute for domestic crude oil, which is a non-renewable, diminishing resource.

In our 1981 Annual Report we stated "the need for synfuels is as great as ever, and a sustained effort, independent of transient influences, will be required to create a synfuels industry. Geokinetics is continuing its efforts to position itself in the vanguard of the industry."

This statement is still true today, a year later. The following are the next steps in our sustained program:

1. complete our R&D activity in cooperation with the Department of Energy.
2. fulfill our contract with the Department of Defense to produce jet fuel.

3. apply to the U.S. Synthetic Fuels Corporation for financial assistance for a commercial project.

We are now entering the final stage of our R&D program. We have signed a contract with the Department of Defense to produce jet fuel, and we are preparing to apply to the Synthetic Fuels Corporation on January 10, 1983, for a modular commercial size project. In the past, our Company has accomplished much with limited resources, and we look forward with optimism to continued progress in the future.

Henry H. Patton

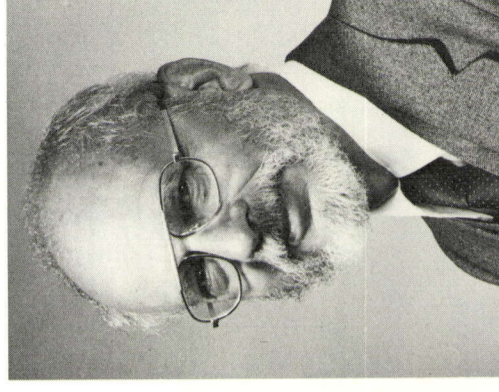
HENRY H. PATTON
Chairman of the Board

Mitchell A. Lekas

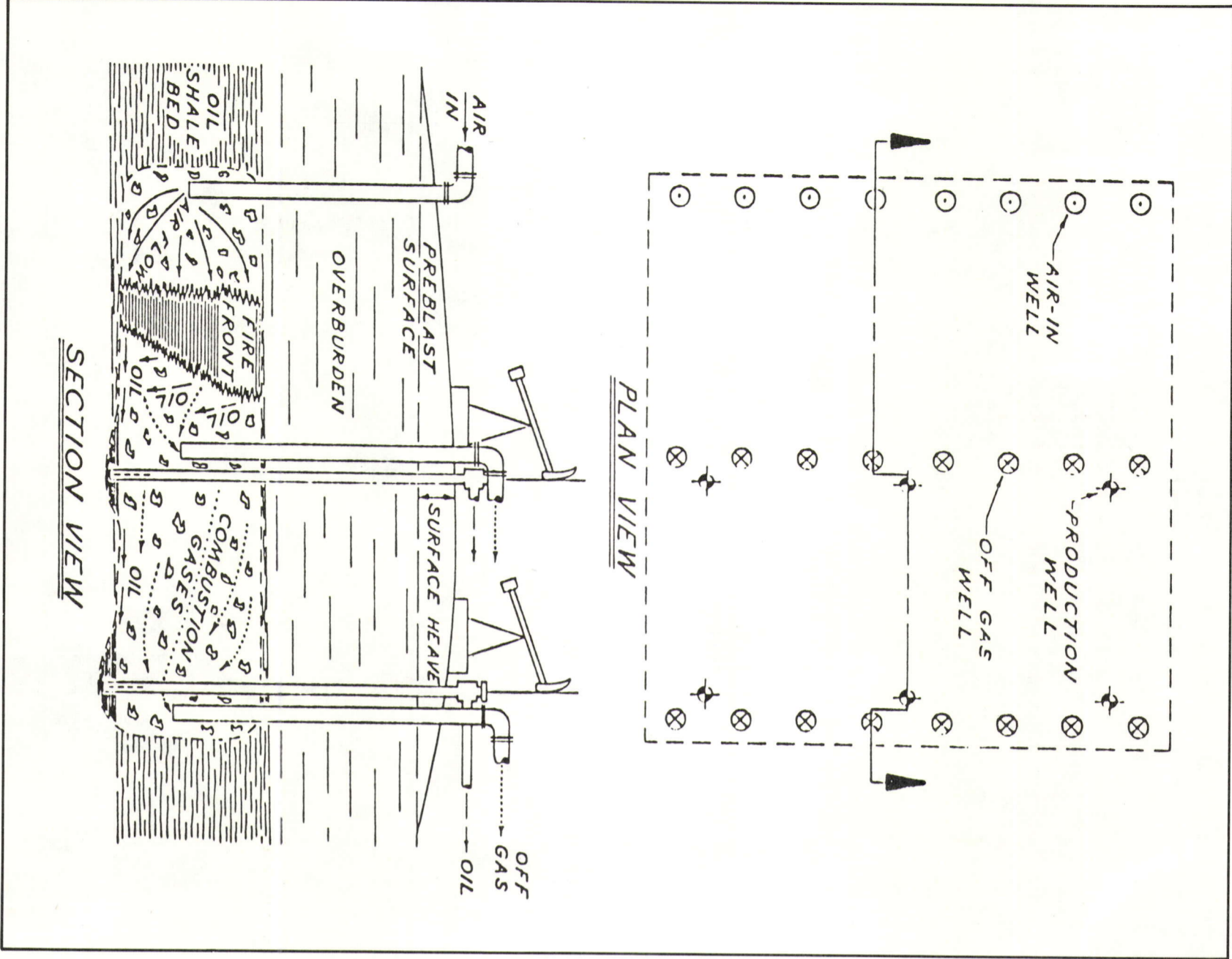
MITCHELL A. LEKAS
President



HENRY H. PATTON
Chairman of the Board



MITCHELL A. LEKAS
President



A TYPICAL HORIZONTAL IN SITU RETORT

	Estimated Useful Lives	Cost	Accumulated Depreciation*	Net
Operating machinery and equipment	Various to 20 years	\$1,167,305	\$416,627	\$ 750,678
Automotive equipment	3-5 years	149,928	115,757	34,171
Camp housing and support systems	5-20 years	328,605	136,251	192,354
Laboratory and other experimental and monitoring equipment	3-5 years	201,042	134,375	66,667
Total		\$1,846,880	\$803,010	\$1,043,870

* As if capitalized

The depreciation amounts shown above are based on the straight line method over estimated useful lives. Based on an unaudited evaluation of the oil shale leases by the Company's consulting geologist dated January 1980, shale oil in place amenable to the Company's LOFRECO in situ extraction process totals approximately 273 million barrels. Additional shale oil in place is substantial but could be recovered only if other processes are utilized by the Company or other companies during the remaining lease terms. Approximately 58,000 barrels of shale oil have been recovered through September 30, 1982.

In addition to the above-described leases, the Company holds interest in oil shale mining claims covering approximately 10,000 acres in western Colorado. The U.S. Department of the Interior has initiated action to have all such claims cancelled. The outcome of such action has not yet been determined. However, the Supreme Court has ruled in favor of other companies in similar cases. The cost of these interests, \$12,700 since inception, was charged to operations prior to 1978.

In September 1980, DOE awarded the Company a \$1,886,000 grant to study the feasibility of shale oil production by conventional mining and surface retorting from a 22,000 acre lease block held by the Company. Work under the grant, which provided for 100% DOE funding, was substantially completed at September 30, 1982. The work has been performed principally by independent engineers and consultants.

3. Property and Equipment and Commitments

The Company holds 17 oil shale leases covering approximately 30,000 acres in northeastern Utah. The leases, which have initial terms expiring during 1983 through 1999, provide for minimum annual rentals plus production royalties as follows:

Acres	Minimum Annual Rentals ¹	Production royalties ²
19,200	\$250,000 in 1983 increasing to \$450,000 in 1987 and thereafter ³	6%
10,800	\$11,000 in 1983 decreasing to \$1,000 in 1999	5% for first 5 years; thereafter may be increased 1% per annum by lessor to maximum of 12½%

¹The leases may be extended beyond their initial term as long as shale oil is being produced in commercial quantities.

²Royalties are based on the gross proceeds from sales of all products extracted from oil shale.

³Annual rentals in excess of \$50,000 may be satisfied by expenditures for development work.

Office furniture and equipment are reported at cost and are being depreciated principally using straight line methods over their useful lives which range from five to ten years.

The Company leases its principal offices in Salt Lake City. Annual rentals under the lease are \$30,745 plus adjustments based on increases in the cost of living index through 1984. The Company also leases its office and warehouse premises in Vernal, Utah, and laboratory facilities in Concord, California, from the Company's president and his family. The leases are one year and month-to-month terms, respectively, and require annual rentals of approximately \$13,000.

4. Income Taxes

Income tax expense for 1980 includes Federal provisions of \$6,600 offset by an extraordinary credit arising from realization of operating loss carryforwards from prior years. The remainder represents California and Utah franchise taxes. Income tax expense for 1981 includes Federal income tax provisions of \$156,563 and state franchise taxes of \$20,269. The income tax benefit for 1982 consists of refunds currently receivable of \$144,767 of Federal taxes paid, and \$7,824 of state taxes paid. No unused net operating loss deduction or tax credits are available to be carryforward as of September 30, 1982. Income taxes vary from amounts derived by applying the Federal statutory rate to income (loss) before income taxes and extraordinary credit for the following reasons:

	1980	1981	1982
Tax expense (benefit) computed at Federal statutory rate			
Effect in 1980 of basis difference of assets contributed by joint venture partner in 1979	\$ (9,400)	\$197,101	\$ (90,097)
New jobs, additional research, and investment tax credits	32,548		
State franchise taxes net of Federal deduction	(5,634)	(16,747)	(55,650)
Surtax exemption and other	1,367	20,629	(7,824)
	(9,720)	(23,791)	980
Total	\$ 9,161	\$177,192	\$ (152,591)

5. Retirement Plan

The Company has a defined contribution retirement plan which covers substantially all employees. The Company is obligated to fund an annual contribution equivalent to 10% of the participants' compensation. The participants may, at their option, contribute up to an additional 10% of their compensation to the plan. Participants' interests in the Company's contributions vest ratably over five years. The Company's policy is to fund pension costs as accrued. Pension expense was \$60,400 in 1980, \$68,100 in 1981, and \$58,285 in 1982.

6. Stockholders' Equity

The Company was a California corporation from inception until April 1980 when it reincorporated in Delaware and split its stock 100 to 1. Retroactive effect has been given in the accompanying financial statements to the reincorporation and stock split.

In 1969, 1,200,000 shares of common stock were issued to the founders of the Company for technical plans and other intangibles. These shares were valued at \$300,000. The Company amortized the \$300,000 of technical plans and other intangibles ratably over ten years from its inception through early 1979.

Assets contributed by the Company's joint venture partner consisted of the partner's interest in the joint venture

Notes to

Financial Statements

Geokinetics Inc. (a development stage company)

1. Accounting Policies

The Company is engaged in acquisition of oil shale leases and in research and development of processes to extract oil from oil shale. As more fully explained in Note 2, such research and development has been funded primarily by the U.S. Department of Energy (DOE). Significant accounting policies are set forth below.

Inventories

Inventories consist of materials and supplies and are stated at first-in, first-out cost, which does not exceed market. Shale oil is being recovered from research and development activities. During this development stage, such oil is considered a by-product of such activities and is not recorded as inventory.

Oil Shale Leases

Lease acquisition costs are capitalized and will be amortized when commercial production begins on a units-of-production method based on recoverable shale oil in place as estimated by the Company's consulting geologist.

Engineering, Research, and Developmental Costs

Engineering, research, and development costs, other than inventories, are charged to operations. The majority of such costs have been reimbursed by DOE under cost reimbursement arrangements more fully explained in Note 2. The current funding agreement is expected to expire February 28, 1983, or when appropriated funds are expended, whichever comes first. Related expenditures for equipment have been charged to operations when purchased. At the agreement's expiration or termination, the DOE may direct the Company to sell the equipment and share with the Company the net proceeds in accordance with the cost sharing ratio in effect when such items were purchased, unless the Company elects to continue the project for another year without DOE support. See Note 2 for further discussion of the capital equipment that has been charged to operations.

Cost Reimbursements

Cost reimbursements are recognized when the related costs and expenses are charged to operations. Any excess of funds advanced over costs and expenses incurred is reported as unexpended reimbursements.

Income Taxes

Investment, additional research, and new jobs tax credits are recognized using the flow-through method to the extent such credits can be utilized based on the Company's financial statement income.

Earnings (Loss) Per Common Share

Earnings (loss) per common share are computed based

on the weighted average number of common shares and equivalents outstanding. Stock options and stock purchase warrants are not considered common stock equivalents when the effects would be antidilutive.

2. Developmental Operations

The Company, a developmental stage enterprise, is engaged in acquiring oil shale leases and research and development of processes to extract shale oil from oil shale. Since the Company is in the developmental stage, there are substantial uncertainties with respect to the timing and ultimate cost of future development activities and shale oil extraction. To date, substantially all engineering, research and development costs, as well as general and administrative expenses, have been reimbursed under various arrangements described below.

Prior to 1979, the Company organized and operated joint venture arrangements with independent oil companies in consideration for management fees and oil shale interests. All but one of the joint venture partners withdrew from the project during 1975 and the remaining partner withdrew early in fiscal 1979.

Since late 1976 the Company has operated under a cost-reimbursement agreement with DOE and the remaining joint venture partner (until its withdrawal from the project in fiscal 1979) under which substantially all project expenditures, as defined, have been reimbursed by DOE and the joint venture partner. Effective January 1979, DOE reimbursed 97% of such expenditures and the Company paid the remaining 3% until May 1981 when the DOE reimbursement rate was reduced to 90%. In June 1982, the agreement was modified retroactive to January 1, 1982, committing additional DOE funding of \$2,532,000, and additional funding by the Company of \$741,239.

The DOE Agreement provides for termination by either party with sixty days prior written notice. If terminated, the other party could elect to continue the project through the current phase. Upon completion of work under that phase, all project assets are then required to be assigned to the non-terminating party. If the non-terminating party does not continue, project assets (other than shale oil lease rights, which are owned exclusively by the Company) would be disposed of. Any proceeds, after satisfaction of project liabilities, would be shared based on the cost sharing ratios in effect at the time the respective assets were acquired.

As previously explained, DOE also has rights in the event of early termination of the Agreement to certain machinery and equipment used in the Company's operations. Such machinery and equipment, which has been charged to operations through September 30, 1982, is summarized below. DOE has agreed to let the Company use such machinery and equipment, if the Company supports the project on its own account through the current phase. At September 30, 1982, approximately \$902,000 of the most recent appropriation had not yet been expended.

The LOFRECO Process

Geokinetics was founded in 1969 to engage in mineral exploration and development. The Company began to evaluate the prospects for developing shale oil production, a subject for which the Company was well qualified through the expertise of its executive officers.

In 1974, Geokinetics began developing an in situ process for application to beds of oil shale located relatively close to the surface. Under these conditions an operation could be established with a minimum capital cost. For this reason we named the process "LOFRECO," an acronym for Low Front End Cost. LOFRECO is covered by U.S. Patent # 4037657, issued to Mitchell A. Lekas, inventor, and assigned to Geokinetics. Acquisition of lands, particularly lands suitable for the LOFRECO process, and development of the process have occupied most of the Company's energies since that date.

In November 1976, Geokinetics entered into a cooperative agreement with DOE whereby DOE participated in the funding of the LOFRECO project. The DOE funding was very effective in accelerating our program. Expenditures for research and development increased from \$646,000 in 1976 to \$2,932,400 in 1982.

In the LOFRECO process, a pattern of blastholes is drilled from the surface, through the overburden, and into the oil shale bed. The holes are loaded with explosives and fired, using a carefully planned blast system. The blast results in a fragmented mass of oil shale with high permeability. The void space in the fragmented zone comes from lifting the overburden, producing a small uplift of the surface.

The fragmented zone constitutes an in situ retort. The bottom of the retort is sloped to provide drainage for the oil to a sump where it is lifted to the surface by a number of oil production wells. Air injection holes are drilled at the other end. The oil shale is ignited at the air injection wells, and air is injected to establish and maintain a burning front that occupies the full thickness of the fragmented zone.

The front is moved in a horizontal direction through the fractured shale towards the off gas wells at the far end of the retort. The hot combustion gases from the burning front heat the shale ahead of the front, driving out the oil, which drains to the bottom of the retort, where it flows along the sloping bottom to the oil production wells. As the burn front moves from the air-in to the off gas wells, it burns the residual carbon in the retorted shale as fuel. The combustion gases are recovered at the off gas wells. This gas is combustible and will be used for power generation.

The initial costs involved in starting a production operation using this technique are relatively low and

startup time is short. The process eliminates the need for a mine and related mining equipment, surface retorts, and all rock moving machinery and its attendant environmental and financial problems. The equipment required includes a number of drill rigs to drill the blastholes, injection wells, off gas wells, and oil production wells.

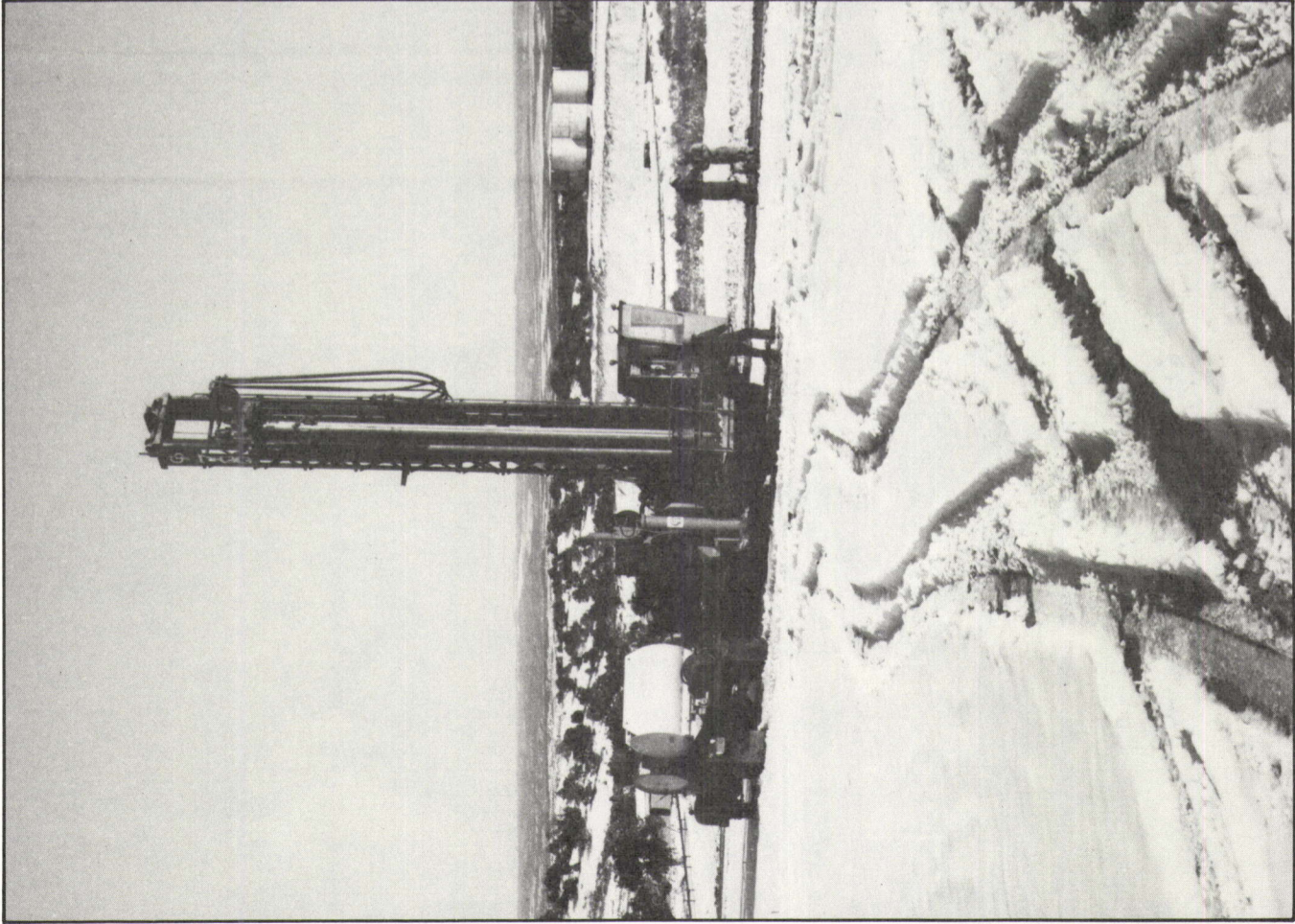
Low pressure blowers are used to provide air to the retort and small oil field type pumps are used to lift the oil to the surface. The off gases from the retort are moved at low pressure through thin walled, large diameter pipe to scrubbing units to remove the sulfur compounds and are then burned to generate power.

The process so far has been applied to areas where the overburden is relatively thin. At the present time we do not know what the upper limits of overburden thickness will be. We have effectively blasted retorts with 100 feet of overburden, and we will learn how much beyond 100 feet we can go as testing continues.

There are many locations amenable to the process in the United States and throughout the world. In the United States, there are large areas in Utah and Wyoming where the oil shale beds are within 100 feet of the surface. In Brazil, a significant portion of their widespread oil shale deposits is at relatively shallow depth. In Australia, the deposits in Queensland include a very large area with less than 120 feet of overburden. Morocco has extensive deposits of oil shale amenable to the process.

Since the beginning of the testing program in 1975, a total of 28 test retorts have been blasted to develop blasting methods and retorting parameters and procedures. In testing these retorts, 65,000 barrels of shale oil have been produced. Three full sized retorts have been burned, measuring 214 feet by 230 feet, with a thickness of oil shale of 30 feet. Recovery rates in excess of fifty percent of total oil in place have been attained. The latest two retorts blasted measured 300 feet by 330 feet in area. They will be burned in 1983.

A commercial operation would consist of a number of such retorts burning at the same time and each producing from 100 to 200 barrels per day. Each retort would have a life of up to ten months, with an estimated production of 45,000 barrels of oil. A self-contained production unit would produce a minimum of 1,000 barrels of oil per day.



DRILLING PROCESS HOLES, RETORT 27

Statement of Stockholders' Equity

Geokinetics Inc. (a development stage company)

For the Period from March 7, 1969 (Inception) to September 30, 1982
(Amounts for the period from inception to September 30, 1976 are unaudited)

Date	Transaction	Common Shares Issued	Per Share	Consi- deration	Stockholders' Equity		
					Common Stock	Additional Capital	Net Equity
June 1969	Common stock issued for:	520,000	\$.25	\$ 130,000	\$130,000		\$ 130,000
June 1969	Cash						
	Technical plans and other intangibles (Note 6)						
July 1969	Cash	1,200,000	.25	300,000	300,000		300,000
August 1972	Cash	80,000	.25	20,000	20,000		20,000
November 1972	Cash	120,000	.25	30,000	30,000		30,000
August 1973	Cash	260,000	.25	65,000	65,000		65,000
November 1974	Cash	84,000	.25	21,000	21,000		21,000
Inception to Sept. 30, 1977	Net loss	80,000	.125	10,000	10,000		10,000
Sept. 30, 1978	Net income						
February 1979	Assets contributed by joint venture partner (Note 6)					\$ 483,627	483,627
Sept. 30, 1979	Net loss					(54,132)	(54,132)
April 1980	Change from no-par to \$.20 par value				(107,200)	107,200	
	Net proceeds from public offering of common stock	450,000	7.50	2,862,717	90,000	2,772,717	2,862,717
	Sale of stock purchase warrant for 23,000 shares (Note 6)					230	230
Sept. 30, 1980	Net loss					(23,735)	(23,735)
Balance at September 30, 1980		2,794,000		3,438,947	558,800	3,363,774	(543,711)
Sept. 30, 1981	Net income						251,288
Balance at September 30, 1981		2,794,000		3,438,947	558,800	3,363,774	(292,423)
Year Ended Sept. 30, 1982	Net loss						(43,272)
Balance at September 30, 1982		2,794,000		\$3,438,947	\$558,800	\$3,363,774	\$(335,695)
							\$3,586,879

See notes to financial statements

Statements of Changes
In Financial Position

Geokinetics Inc. (a development stage company)

For the Years Ended September 30, 1980, 1981, and 1982 and for the Period from March 7, 1969 (Inception) to September 30, 1982

	1980	1981	1982	From Inception (Unaudited)
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Uses of Funds:

Operations:				
Net (income) loss	\$ 23,735	\$(251,288)	\$ 43,272	\$ 335,695
Items not requiring the use of working capital:				
Depreciation	(1,477)	(1,633)	(14,000)	(26,396)
Amortization of technical plans and other intangibles				(300,000)
Total	22,258	(252,921)	29,272	9,299
Property and equipment:				
Oil shale leases	8,350			530,903
Office furniture and equipment	1,732	2,806	81,422	101,799
Technical plans and other intangibles			175,000	300,000
Increase in Other Assets				175,000
Total	32,340	(250,115)	285,694	1,117,001

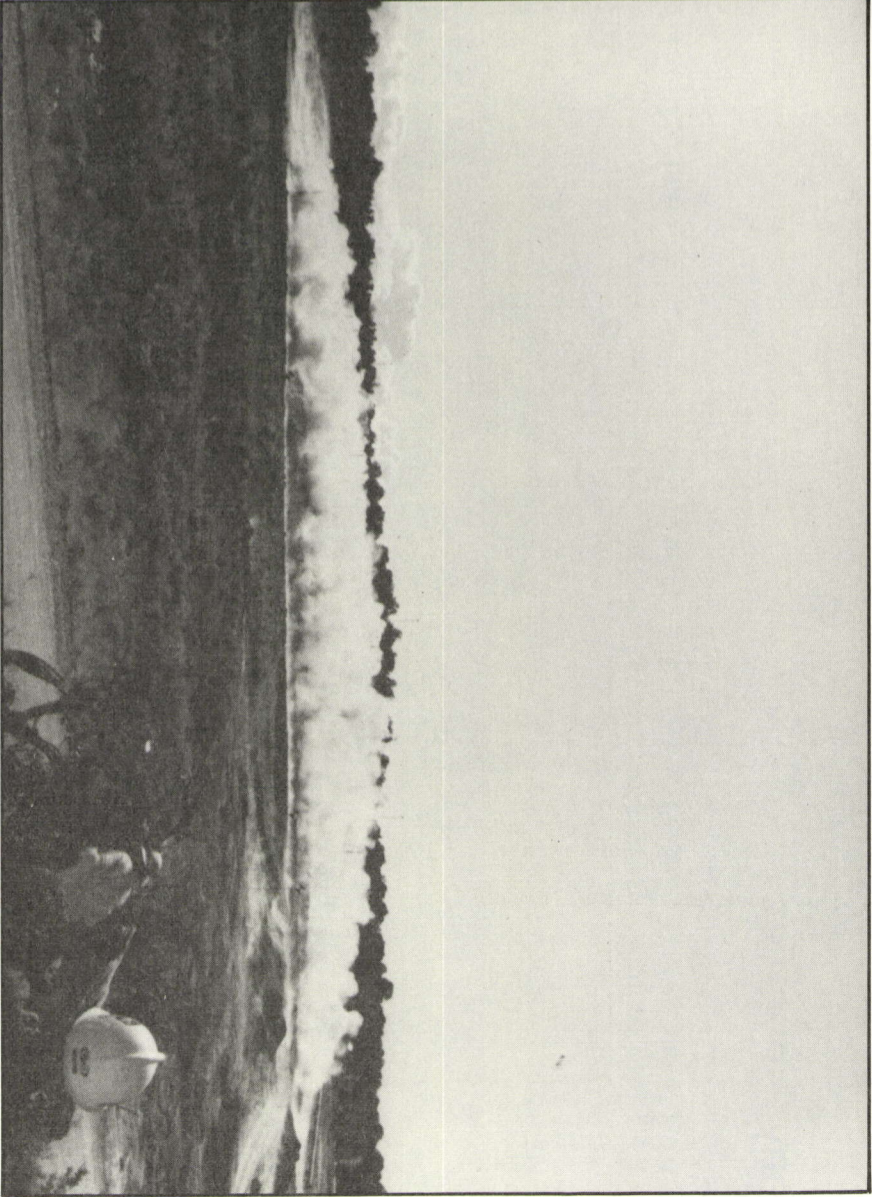
Sources of Funds:

Issuance of common stock:				
For cash	2,862,947			3,138,947
For technical plans and other intangibles				300,000
Assets contributed by joint venture partner				483,627
Total	2,862,947			3,922,574
Increase (Decrease) in Working Capital	\$2,830,607	\$ 250,115	\$(285,694)	\$2,805,573

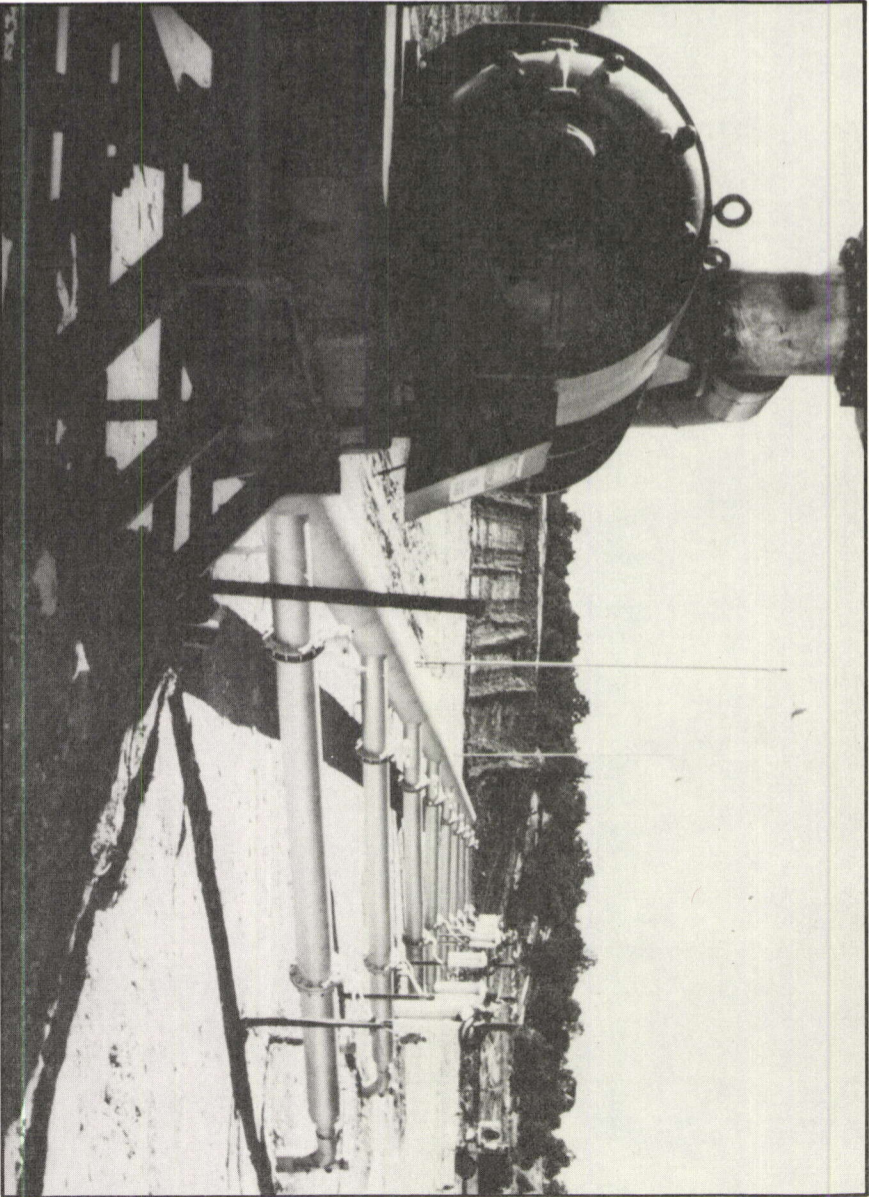
Changes in Working Capital by Element

Increase (Decrease) in current assets:				
Cash and short term investments	\$2,826,713	\$ 324,690	\$(808,286)	\$2,439,849
Receivables	216	296,993	278,302	596,432
Refundable income taxes			182,096	182,096
Inventories	(26,749)	(79,632)	(2,922)	56,954
Prepaid expenses	3,388		301,417	352,615
Decrease (Increase) in current liabilities:				
Note payable to stockholder	10,000		(456,159)	(649,479)
Accounts payable	12,630	(57,145)	175,234	
Income taxes payable		(175,234)		
Accrued compensation and other expenses	(15,346)	(61,936)	44,624	(124,412)
Unexpended reimbursements	19,755	2,379		(48,482)
Increase (Decrease) in Working Capital	\$2,830,607	\$ 250,115	\$(285,694)	\$2,805,573

See Notes to Financial Statements



BLASTING RETORT 27

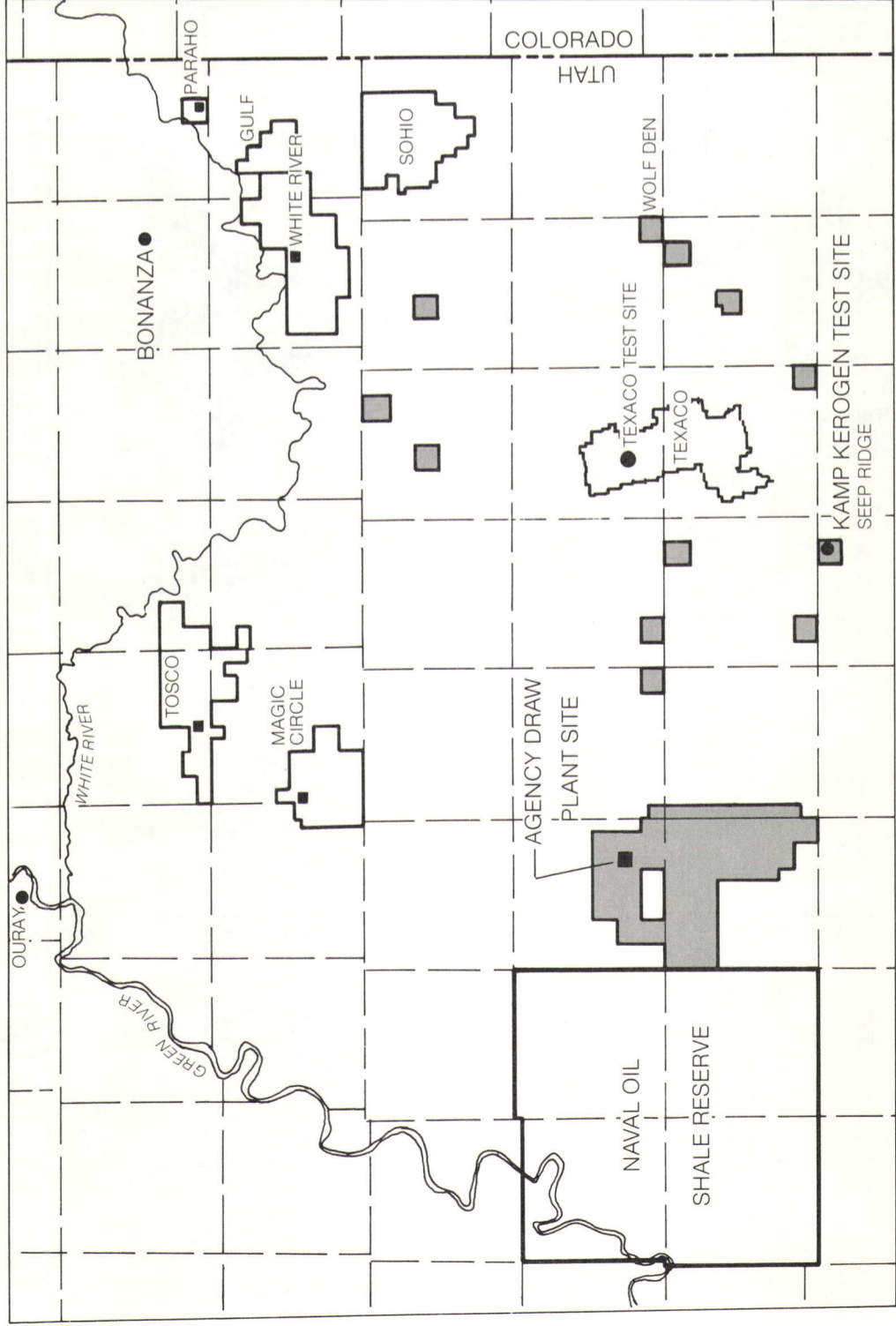


AIR INJECTION WELLS, RETORT 25

Company Properties

Geokinetics currently leases 30,000 acres in the southern part of Uintah County, Utah. The Company commissioned T. N. Beard, consulting geologist, to make a study of the oil shale resources on these lands.

The Beard report, dated January 1980, estimates that our leases contain 1,749,000,000 barrels of oil in place. Of this total resource, 273,200,000 in place barrels are amenable to the LOFRECO process.



■ PROPOSED PLANT SITES
 ■ GEOKINETICS PROPERTIES

PRINCIPAL OIL SHALE PROPERTIES IN UTAH

Statements of Operations

Geokinetics Inc. (a development stage company)

For the Years Ended September 30, 1980, 1981, and 1982 and for the Period from March 7, 1969 (Inception) to September 30, 1982

From
 Inception
 (Unaudited)

Costs and Expenses:

Engineering, research and development (Notes 1 and 2):

Noncapital expenditures	\$1,490,252	\$2,514,328	\$3,205,269	\$10,909,042
Capital expenditures	218,717	786,391	114,040	1,917,440
Administrative and general	459,245	763,623	865,795	3,151,690
Oil shale lease rentals	57,274	61,118	60,770	206,682
Amortization, depreciation, and other	7,125	1,882	15,637	334,589
Total	2,232,613	4,127,342	4,261,511	16,519,443

Less:

Cost reimbursements (Notes 1 & 2):

U.S. Department of Energy	2,050,936	3,794,427	3,478,589	13,069,062
Joint venture partner				1,431,038
Shale oil sales	28,437	266,002	141,487	502,365
Interest income	117,424	495,393	425,822	1,079,370
Other	15,381		19,750	137,171
Total	2,212,178	4,555,822	4,065,648	16,219,006

Income (loss) before income taxes and extraordinary credit

Income tax expense (benefit) (Note 4)

Income (loss) before extraordinary credit

Extraordinary credit—realization of tax loss carryforwards (Note 4)

Net Income (Loss)

	\$	(23,735)	\$	251,288	\$	(43,272)	\$	(335,695)
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Earnings (loss) per common share (Note 1):

Income (loss) before extraordinary credit

Extraordinary credit

Net Income (Loss)

	\$	(.01)	\$.09	\$	(.02)
		nil				
	\$	(.01)	\$.09	\$	(.02)

Weighted average common shares and equivalents outstanding (Note 1)

	2,540,875	2,794,000	2,794,000
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See Notes to Financial Statements

Statements of
Financial Position

Geokinetics, Inc. (a development stage company)

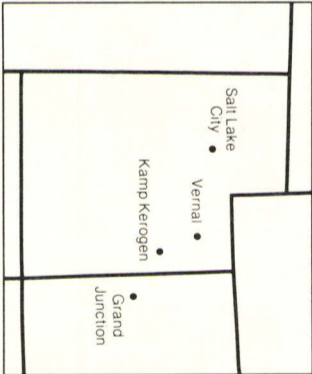
	September 30, 1981 and 1982	1981	1982
Assets:			
Current Assets:			
Cash		\$ 98,269	\$ 116,119
Short term investments, at cost which approximates market		3,149,866	2,323,730
Receivables		318,130	596,432
Refundable income taxes			182,096
Inventories (Note 1)		59,876	56,954
Prepaid expenses		51,198	352,615
Total		3,677,339	3,627,946
Property and Equipment (Notes 1, 2 and 3):			
Oil shale leases		530,903	530,903
Office furniture and equipment		19,700	101,122
Total		550,603	632,025
Less accumulated depreciation		11,719	25,719
Net		538,884	606,306
Other Assets			175,000
Total		\$4,216,223	\$4,409,252

Liabilities and Stockholders' Equity

Current Liabilities:			
Accounts payable		\$ 193,320	\$ 649,479
Income taxes payable		175,234	
Accrued compensation and other expenses		169,036	124,412
Unexpended reimbursements (Note 1)		48,482	48,482
Total		586,072	822,373
Commitments and Contingencies (Note 3)			
Stockholders' Equity (Note 6):			
Common stock \$.20 par value (5,000,000 shares authorized; 2,794,000 shares issued and outstanding at September 30, 1981 and 1982)		558,800	558,800
Additional capital		3,363,774	3,363,774
Deficit accumulated during the development stage		(292,423)	(335,695)
Net		3,630,151	3,586,879
Total		\$4,216,223	\$4,409,252

See Notes to Financial Statements.

Events During 1982



R&D operations continued to be funded largely by our DOE contract. Expenditures for the LOFRECO project totalled \$2,932,400 in fiscal year 1982 of which DOE provided \$2,369,700 and the Company provided \$562,700.

Activities at Kamp Kerogen chiefly consisted of the burning of Retorts # 25 and # 26 and the blasting of Retorts # 27 and # 28. These are commercial size retorts; # 25 and # 26 are one acre retorts, and # 27 and # 28 are two acre retorts.

Retort # 25 was ignited on October 16, 1981, and burned for 240 days, shutting down on June 29 after producing 21,000 barrels of oil. In addition, Retort # 25 produced combustible retort gases with an energy equivalent of 24,000 barrels of oil. The production from this retort was an improvement over # 24 which was burned during 1981. This was a result of improved blasting and operating techniques, and changes in operating equipment. A channeling of the burning front experienced in Retort # 24 was controlled in Retort # 25.

On July 8, 1982, Retort # 26 was ignited. The design had been modified to incorporate a number of changes which resulted in improved performance. After 120 days of operation, Retort # 26 had produced 12,500 barrels of oil as compared to 10,795 barrels from Retort # 25.

Retort # 27 was blasted on February 25, 1982, and Retort # 28 was blasted on August 18, 1982. Each was a two acre retort measuring 300 feet by 330 feet, 50% wider and 50% longer than Retorts # 24, # 25 and # 26. Both blasts were successful, achieving the desired surface lift and fracturing of the shale bed. The successful blast of Retort # 28 was especially significant, since it confirmed our capability to blast a large retort in an area with varying topography and under an overburden of up to 100 feet.

The successful blasting of the these two retorts indi-

cates that large retorts have the following advantages:

1. more efficient use of explosive.
2. increased resource utilization.
3. reduced retorting costs.

The burn of Retorts # 27 and # 28 will determine the magnitude of these advantages in actual operations.

Support facilities at Kamp Kerogen were enlarged and modernized during 1982. The infrastructure for the new housing site was completed, including water and sewage lines, electricity, and roads. The field offices were moved to new and enlarged quarters. In general the Kamp presents a much improved picture in keeping with the increase of the scope of our activities.

Your Company continued to keep in touch with developments in foreign countries. Following his trip in 1981 to Morocco, President M. A. Lekas visited Thailand and Australia in February 1982 to examine oil shale deposits in those countries. He presented a paper at an oil shale symposium in Bangkok. A series of tests were run at our test facility to establish retorting parameters of Australian shale.

In June Geokinetics submitted two applications to the U.S. Synthetic Fuels Corporation (SFC) for loan and price guarantees:

1. Wolf Den, a true in situ (LOFRECO) project (3,500 barrels of oil per day, and 100 megawatts of electricity).
2. Agency Draw, a mining and surface retorting project (16,000 barrels of oil per day).

Primarily because equity funding was not in place, neither project was advanced to a detailed stage of consideration by the SFC. We have since designed a third project, Seep Ridge. This project, which is an enlargement of Kamp Kerogen to commercial size, would produce 1,000 barrels of shale oil per day and refine the oil at the Caribou Four Corners refinery near Salt Lake City.

We have continued to review these proposals both in house and in conjunction with the engineering firm of Davy McKee from a design and engineering aspect and with a view to obtaining equity sponsors. We expect to submit another application to the SFC at its Third Solicitation on January 10, 1983. Meanwhile, we have kept in touch with the SFC staff on a continuing basis so as to keep currently advised on its position and policies.

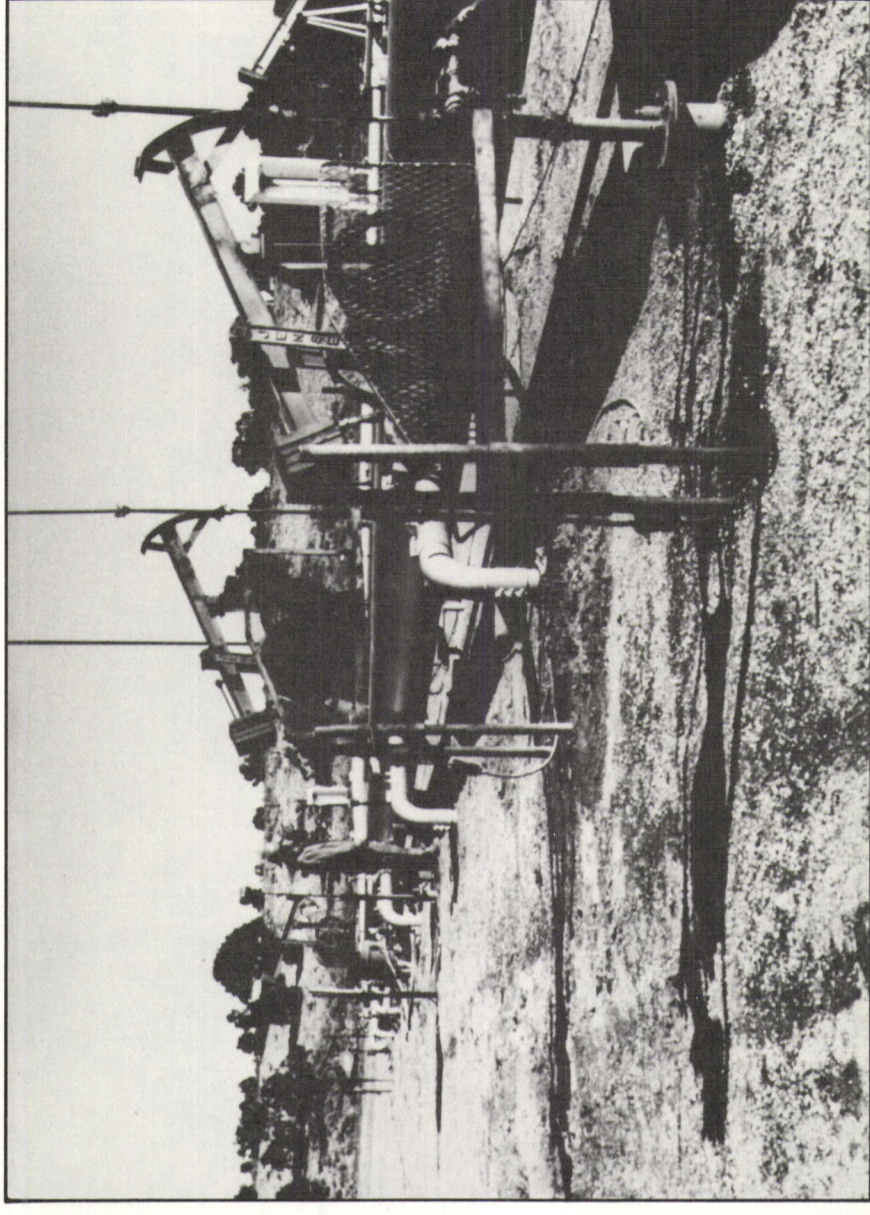
The Agency Draw feasibility study was completed in September 1982. This study, funded by a \$1,887,000 grant from the DOE, covers the economic feasibility

of establishing a commercial shale oil facility at our 22,000 acre Agency Draw property and is an essential precondition to developing this property.

The signing of the DOD contract for military fuels will provide funds from the sale of our shale oil, and with other funds derived from the contract, your Company's financial condition will continue to remain strong. We intend to discuss with the DOD an extension of the contract after its completion in September 1983. In addition, we are optimistic that Congress will provide

funds for the completion of our LOFRECO R&D program in the 1983 federal budget.

The Department of Interior is expected to issue notice of an oil shale lease sale program in 1983. Geokinetics will respond to the solicitation for comments and follow its progress in anticipation of participating in the bidding. This would be the first federal oil shale leasing since 1974, and would provide Geokinetics an opportunity to expand its resource position.



PUMPING SHALE OIL, RETORT 25

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Working capital at the end of the fiscal year was \$2,805,573, a decrease of \$285,694 from the previous year. The principal reasons for the decrease was a prepayment of \$175,000 of oil shale lease rentals due during the next four years, purchases of property and equipment and a net loss for the fiscal year.

The Company has no long term debt or capital lease obligations.

The proposed House appropriations bill for fiscal year 1983 for Interior and Related Affairs contains approximately \$316 million for fossil energy research and development. At this time it is impossible to determine how much, if any, will be earmarked for Geokinetics. Continuation of the Company's R&D program after February 1983 without DOE funding would require internal funding and thus reduce the Company's liquidity. Alternative methods of funding the program would be dependent on prevailing economic and capital market conditions. Consequently, there is no assurance that such funding could be obtained. At September 30, 1982, \$902,000 of the 1982 DOE appropriation had not been expended. It is expected that these funds will be expended by the end of February 1983.

The Company signed a contract with the Department of Defense (DOD) on November 9, 1982. The contract requires the Company to provide approximately 34,000 barrels of crude shale oil, which in addition to 48,000 barrels of government supplied crude shale oil, will be refined into military test fuels. The DOD contract is expected to be completed during the 1983 fiscal year and, if completed during that fiscal year, the Company will realize revenues from shale oil sales under the DOD contract of approximately \$850,000.

The DOD contract is a cost plus fixed fee contract totalling \$6,286,680. The Company has subcontracted the refining of the crude shale oil to Caribou Four Corners, Inc. It is anticipated that the costs of modifications to the Caribou Four Corners refinery at Woods Cross, Utah, plus the operating costs of refining the crude shale oil into military test fuels will approximate \$4,400,000.

Results of Operations

The Company's research and development program for the LOFRECO process has been largely supported by a Cooperative Agreement with the DOE. Cost reimbursements are based on the direct costs incurred in the program plus reimbursable administrative and

general expenses. Because of the cost reimbursement nature of the DOE Cooperative Agreement, the potential adverse effects of inflation on the Company are minimized.

Cost reimbursements from the DOE for LOFRECO research and development in fiscal year 1982 amounted to \$2,369,700, a decrease of \$604,430 from fiscal year 1981 due to a reduction in the scope of the project during the current fiscal year. Geokinetics' expenses for the LOFRECO project increased by \$390,663 in fiscal 1982 to \$562,700 primarily as a result of an increase in the Company's sharing ratio for total project costs.

In fiscal year 1982 the Company also received an additional \$1,107,670 from the DOE under a separate grant for the Agency Draw feasibility study. Work under the grant was completed in September 1982. The work was performed principally by independent engineers and consultants.

Shale oil sales in FY 1982 were \$141,487 as compared to \$266,002 in FY 1981, a decrease of \$124,515. The decrease was due to a decision to refrain from selling the Company's shale oil produced from its R&D program in anticipation of a contract with the Department of Defense. Future shale oil sales will be dependent on a continuation of the LOFRECO R&D program and/or a new contract or an extension of the current contract with the DOD.

Interest income was \$425,822 in fiscal year 1982 as compared to \$495,393 in fiscal year 1981. In recent months, interest rates have declined sharply so that the temporary investment of Company funds may be expected to yield a lower rate of return. In addition, continuation of the LOFRECO R&D program without DOE funding and/or purchase of oil shale leases could reduce the Company's short term investments and therefore its interest income.

The net loss in fiscal year 1982 of \$43,272 was the result of an increase in the Company's share of the cost of the LOFRECO R&D program as well as reduced shale oil sales and interest income. Net income in fiscal year 1981 was \$251,000.

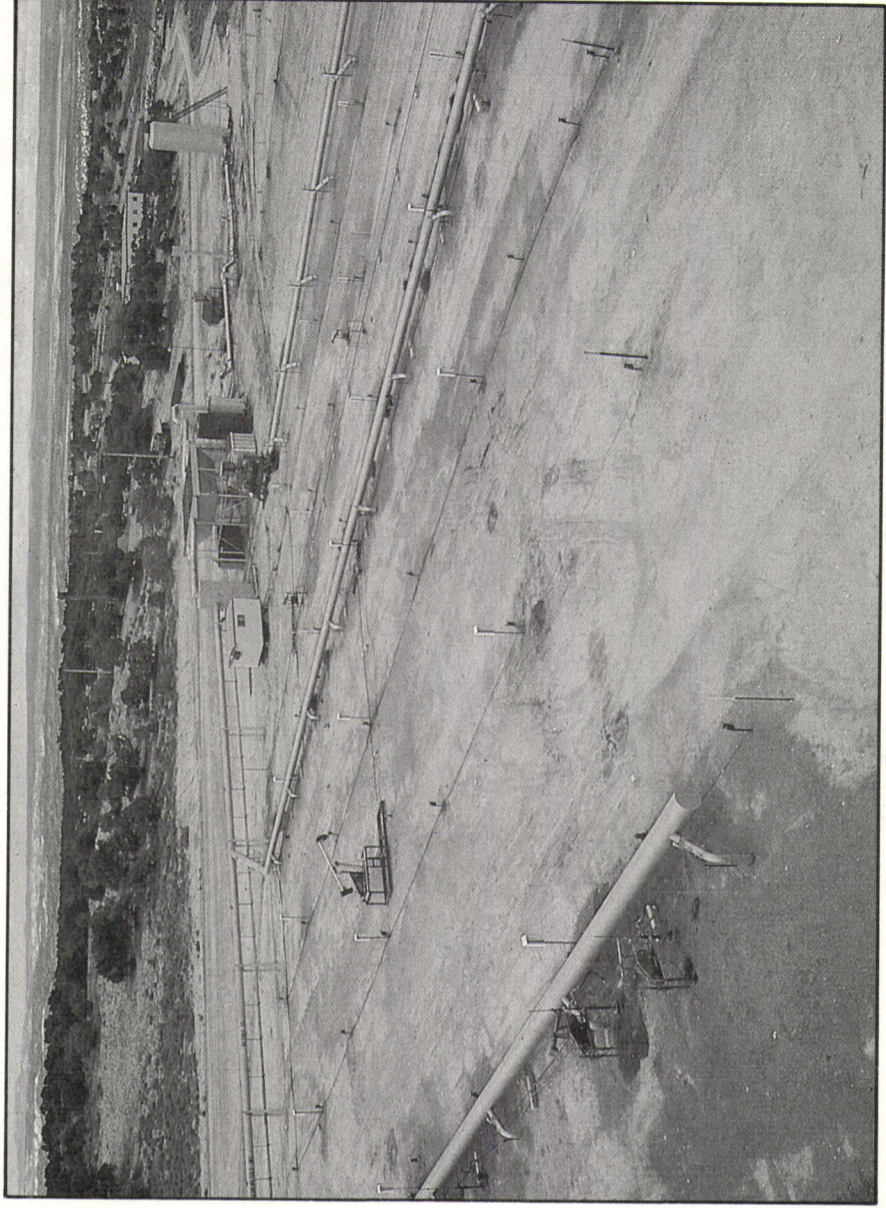
Total engineering, research and development costs increased modestly by \$18,590 in fiscal year 1982 over 1981. The magnitude of these expenditures is dependent on the particular program activities being conducted by the Company at any time. With the overall expansion at the Company's eastern Utah site, such costs have been increasing in recent years. However,



PILOT GAS CLEANUP PLANT IN OPERATION

it is not possible to predict the level for fiscal 1983 because of the uncertainty surrounding the congressional budget and consequently the support from the DOE.

Administrative and general expenses have been increasing principally as a result of higher corporate activity and additional costs incurred in operating as a publicly held company. Such expenses increased by \$102,192 in fiscal year 1982 over fiscal year 1981.



RETORT 25 IN OPERATION